

The Future of Aftermarket Automotive Retailing

Making the Most of the Do-It-Yourself Market



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What began as recession-driven frugality has taken hold as routine: do-it-yourself (DIY) automotive repair has become one of the fastest-growing consumer trends in the United States. Sociologists and business economists alike agree that this movement has taken root—and flourished—based on the parallel growth in home DIY projects. Fueled by more than a decade of consumer-empowering messages from home maintenance store chains like Home Depot and Lowe's, homeowners have found DIY to be a route to sustained cost savings in home improvement—and have turned their attention to the garage.

The statistics are undeniably appealing for aftermarket automotive retailers. Despite improvement in the U.S. economy, automotive DIY habits born during the Great Recession are here to stay. In a 2013 DIY study by AutoMD, 37 percent of those surveyed reported that their financial situation has improved year over year—but 79 percent still choose to do their own repairs. Moreover, once automobile owners try DIY, they stay with it. According to the same AutoMD study, 90 percent of car owners who undertake DIY repairs are doing the same amount—or more—of their own auto repairs and maintenance this year versus one year ago.

The rationale behind this widespread and growing trend is simple: automobiles are staying in service longer, and are becoming an investment, rather than an expense. According to a recent Polk report, the average age of cars and light trucks on U.S. roads has increased to a record 10.8 years. The age of passenger cars is now at 11.1 years, while the age of light trucks, which include pickups and SUVs, has jumped to 10.4 years. Polk also reports that the average length of ownership of vehicles has grown to more than 53 months, an 18-month increase since 2001. Simply put, automobile owners are transitioning away from the 'disposable vehicle' mindset of the 1990s and 2000s, and relying on DIY maintenance to keep vehicles running longer, at lower cost. DIY cost savings, over that longer ownership horizon, add up to meaningful amounts, too. In the AutoMD study, 96 percent of respondents

report saving more than \$100 annually, while nearly 60 percent say they save more than \$500, and 30 percent reported saving \$1,000 or more. A longer vehicle ownership 'lifespan' multiplies these annual savings into real fiscal gains over the decade-plus that vehicles are now expected to operate.

Even as vehicles in service are getting older, the drivers interested in maintaining them are getting younger. Millennials—those born between 1980 and 1994, and representing the largest generation of car drivers since the 1960s—are a growing 'sweet spot' for the next generation of automotive DIY. Hit hard in earning power by the Great Recession, Millennials increasingly rely on DIY auto maintenance and repair, according to a study by the NPD Group involving over 18,000 U.S.-based auto parts stores. The study showed that stores in neighborhoods with significant Millennial presence registered greater dollar sales per store in multiple categories; hard part sales were 11 percent higher in such neighborhoods, and tools and light application categories, such as filters and spark plugs, sold better, too. But, Millennials are not the shade-tree mechanics of decades gone by. They expect local part stock to be visible by smartphone, how-to videos to be available on their tablets, and tools and technologies offered for working on every aspect of their vehicles—from cleaning to maintenance to improvement. But these will be table stakes compared to what they will expect a decade from now; augmented-reality applications, like those Inglobe Technologies recently demonstrated, will overlay how-to guides directly over an image of a car component,

By the Numbers

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accessible by tablet or Google Glass. Millennials are not just driving the growth of automotive DIY—they are also building the next generation of DIY enablement technologies.

The trend topography and competitive terrain in the automotive aftermarket retailing market are positioning the industry for landmark change over the course of the decade to come. Now, the key challenge is capturing a dominant market share among the growing ranks of automotive DIYers. Based on an analysis of the individual trends emerging in the industry, market leadership is expected to accrue to the organization that can achieve four key transformational points in the customer experience: applications, analytics, alliance, and assistance.

- **Applications** keep a retailer's brand presence and value promise in the customer's pocket or purse at all times. For DIY projects, that level of persistent connection provides a venue for aftermarket automotive retailers to shine. According to AutoMD, more than 80 million people in the U.S. turn to the Internet for automotive-related advice, many utilizing social media and mobile applications to do so. Because of the portability and high-speed data access rates of smartphones, apps can deliver an aftermarket DIY experience—from the garage to the store counter—like few other channels. But, applications can do more than just provide project specifications and parts lists; they can also comparison-price parts via the Web. Doing so is expected to become a key battleground for customer loyalty in aftermarket automotive parts retailing. Recent NPD automotive aftermarket research

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found that only 37 percent of consumers rely on the same retailer for all of their automotive product needs. Almost half of DIY consumers compare prices from at least two different retailers.

- **Analytics** play an increasingly important role in every aspect of retailing, and the aftermarket automotive

sector is a particularly good fit for analytic capabilities. Analytics can detect social media activity with potential brand impact, identify high-value target customer demographics within a store's local area, and enable dynamic bundling and promotion of multiple products with a specific margin goal for each. More importantly, analytics empower the retailing system to 'see' deeper into a customer's shopping basket, providing a valuable knowledge support system for busy retail employees. Commonplace projects, like changing a vehicle's oil or replacing spark plugs, are easy to support 'at the register.' But, brake, transmission, and engine projects require more parts, more tools, and more shop supplies. Analytics platforms can sense, based on the product bar codes being scanned at purchase, what a customer might be doing—and can recommend, via screen pop, additional necessary supplies, discounts, or project guidance material.

- **Alliance**, as a retailing culture, is a vital evolutionary step in advancing the value proposition of automotive aftermarket retailing. Selling parts and supplies is no longer expected to constitute the core of the customer experience in automotive aftermarket. Parts and supplies retailers, like their home DIY counterparts, must become project partners in a productivity alliance, working together to save customers time and money. That begins with a holistic awareness of customers' project goals and experience levels, and evolves into a support structure for the customer at every level of expertise and interest. From in-store clinics and 'group garage' weekend events, to printed and electronic guides, to common projects, the leaders in aftermarket automotive retailing are going to become knowledge and experience destinations—not just retail stores.
- **Assistance** rounds out the next generation of automotive aftermarket retailing services by adding a rich layer of empowerment and enablement to the three components discussed above. In AutoMD's study, 91 percent of 'do-it-for-me' (DFM) auto owners reported that they were open to performing their

own repairs if they had easy access to 'how-to' information. While explanatory videos and guides can go a significant distance toward bridging that knowledge—and confidence—gap, there is no substitute in many instances for live assistance. A knowledgeable partner can transform a challenging task into an easy, money- and time-saving task. But, asking store staff to step into that role requires either increasing retail FTE, or forcing other customers to wait. Neither is an ideal solution.

An evolving opportunity. A common solution.

These four automotive DIY trends offer AutoZone a compelling opportunity to transform its role within the automotive retailing sector. Fortunately, they share a common basis: the need to evolve the process of customer engagement, from the workbench to the warehouse, and from the contact center to the cash register. What DIY home improvement chains have achieved—transforming themselves from hardware stores and lumberyards to partner-driven project enablers—has fueled stock performance that has substantially outpaced the S&P 500 return, as a sector, for years. Moreover, that transformation has created brand loyalty in an industry once thought to be fully commoditized, enabled profitable line extension into related areas (appliances, as just one example in home DIY), and created a hub of information and project inspiration for DIY consumers of all skill levels.

That transformation is also a viable one in automotive DIY, and a skilled and experienced partner organization exists with proven capabilities in all four of these trending task areas. TeleTech has more than three decades of experience in designing and delivering exceptional customer experience, including a proven track record in the automotive industry. Specifically, TeleTech can provide robust analytics, cutting-edge mobile applications, alliance-centric customer experience design, and remote assistance services, in a single, unified engagement with a common data platform supporting the entire system.

- TeleTech's technology arm combines excellence in **mobile application design** with leading-edge interface design and full integration with the larger customer engagement strategy. From streaming videos of step-

by-step DIY project guidance to location-based services that can inform customers of the closest store with the in-stock parts required, TeleTech's mobile app development offers a complete solution for smartphone- and tablet-based customer engagement.

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- Exceptional analytic processing power powered by TeleTech's iKnowtion subsidiary—coupled with more than a decade of experience in developing customized analytic solutions for clients—offers a proven solution that goes beyond data into actionable knowledge. iKnowtion's recurring revenue model, combined with its proprietary analytics engine, integrates marketing analytic methodologies with business consulting expertise to help clients deliver superior outcomes in three critical areas: demand generation, increased wallet share, and channel optimization.
- The task of implementing an alliance-centric customer culture is a perfect fit for TeleTech's decades of proven success in customer experience design. From the in-store engagement model to the contact center customer management environment, your TeleTech professional services team can design and deliver a turnkey customer experience that separates AutoZone from the competition.
- TeleTech can also provide expert customer assistance from experienced automotive professionals, delivered through its industry-leading TeleTech@Home remote agent program. TeleTech@Home enables clients to hire agents with specific expertise areas, such as automotive DIY repair, and make them available dynamically to assist customers with complicated projects. From the most basic of DIY repairs to complex maintenance and improvement tasks, TeleTech's specialized agents can support any level of experience in DIY work.

Aftermarket automotive retailing stands at the brink of a revolutionary new era—one in which industry leaders will partner with consumers to maintain and repair

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vehicles with ever-increasing duty lifetimes. New tools and technologies will contribute transformational components of that partnership, but at the core, the relationships that retailers develop with their customers will be the key differentiator dividing success from failure in the decades to

come. As a partner in driving that differentiation, TeleTech offers a unique combination of technological capability, customer interaction management experience, and professional assessment and project management skills.

About TeleTech

For 30 years, TeleTech and its subsidiaries have helped the world's most successful companies design, enable, manage and grow customer value through the delivery of superior customer experiences across the customer lifecycle. As the go-to partner for the Global 1000, the TeleTech group of companies delivers technology-enabled solutions that maximize revenue, transform customer experiences and optimize business processes. From strategic consulting to operational execution, our 39,000 employees drive success for clients in the communications and media, financial services, government, healthcare, technology, transportation and retail industries. Through the TeleTech Community Foundation, the Company leverages its innovative leadership to ensure that students in underserved communities around the globe have access to the tools and support they need to maximize their educational outcomes.

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